FORECASTING BY TIME CYCLES

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(course)

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TIME is the most important factor in determining market movements and by studying the past records of the averages or individual stocks you will be able to prove for yourself that history does repeat and that by knowing the past you can tell the future.

The ancient hunters had a rule that when they were searching to locate an animal in his den, they always followed his tracks backwards, figuring that it was the shortest route to his lair. The quickest way for you to learn how to determine future market movements is to study the past

> "The thing that hath been, it is that which shall be; and that which is done is that which shall be done, and there is no new things under the sun." Eccl. 1: 9.

There is a definite relation between TIME and PRICE. In the previous lessons you have learned about FORMATIONS and RESISTANCE LEVELS around old tops and bottoms. Now, by a study of the TIME PERIODS and TIME CYCLES you will learn why tops and bottoms are formed at certain times and why Resistance Levels are so strong at certain times and bottoms and tops hold around them.

MAJOR TIME CYCLES

Everything moves in cycles as a result of the natural law of action and reaction. By a study of the past, I have discovered what cycles repeat in the future.

There must always be a major and a minor, a greater and a lesser, a positive and a negative. In order to be accurate in forecasting the future, you must know the major cycles. The most money is made when fast moves and extreme fluctuations occur at the end of major cycles.

I have experimented and compared past markets in order to locate the major and minor cycles and determine in what years the cycles repeat in the future. After years of research and practical tests, I have discovered that the following cycles are the most reliable to use:

10-YEAR CYCLES

The important cycle for forecasting is the cycle of around 10 years. Fluctuations of about the same nature occur which produce extreme high or low every 10 years. Stocks work out important tops and bottoms very close to the even 10 year cycle, although at times bottoms or tops come out around 10½ to 11 years in extreme markets.

The 10-year cycle equals 120 months. We divide this just the same as we divide the range between bottoms and tops to get Resistance Levels. One-half of the cycle would be 5 years or 60 months. One-fourth would be 2½ years or 30 months. One-eighth would be 15 months and one-sixteenth 7½ months. One-third would be 40 months and two-thirds of the cycle would be 80 months. All of these time periods are important to watch for changes in trend.

7-YEAR CYCLE

This cycle is 84 months. You should watch 7 years from any important top or bottom and 42 months or one-half of this cycle. You will find many culminations around the 42nd to 44th months. 21 months is one-fourth of 84 months, also important. You will find many bottoms and tops 21 to 23 months apart. At times prices make bottoms or tops 10 to 11 months from a previous top or bottom. This is due to the fact that this period is one-eighth of the 7-year cycle.

5-YEAR CYCLE

This cycle is very important because it is one-half of the 10-year cycle and the smallest complete cycle that the market works out.

MINOR CYCLES

The minor cycles are 3 years and 2 years. The smallest cycle is one year, which often shows a change in trend in the 10th or 11th month.

RULES FOR FUTURE CYCLES

Prices move in 10-year cycles, which are worked out in 5-year cycles---a 5-year cycle up and a 5-year cycle down. Begin with extreme tops and extreme bottoms to figure all cycles, either major or minor.

1 - A bull campaign generally runs 5 years -- 2 years up, 1 year down, and 2 years up, completing a 5-year cycle. The end of a 5-year campaign comes in the 59th or 60th month. Always watch for the change in the 59th month.

2 - A bear cycle often runs 5 years down -- the first move 2 years down, then 1 year up, and 2 years down, completing the 5-year downswing.

3 - Bull or bear campaigns seldom run more than 3 to 3½ years up or down without a move of 3 to 6 months or one year in the opposite direction, except at the end of Major Cycles, like 1869 and 1929. Many campaigns culminate in the 23rd month, not running out the full 2 years. Watch the weekly and monthly charts to determine whether the culmination will occur in the 23rd, 24th, 27th or 30th month of the move, or in extreme campaigns in the 34th to 35th or 41st to 42nd month.

4 - Adding 10 years to any top, it will give you top of the next 10 year cycle, repeating about the same average fluctuations.

5 - Adding 10 years to any bottom, it will give you the bottom of the next 10 year cycle, repeating the same kind of a year and about the same average fluctuations.

6 - Bear campaigns often run out in 7-year cycles, or 3 years and 4 years from any complete bottom. From any complete bottom of a cycle, first add 3 years to get the next bottom; then add 4 years to that bottom to get bottom of 7-year cycle. For example: 1914 bottom - add 3 years, gives 1917, low of panic; then add 4 years to 1917, gives 1921, low of another depression.

7 - To any final major or minor top, add 3 years to get the next top; then add 3 years to that top, which will give you the third top; add 4 years to the third top to get the final top of a 10-year cycle. Sometimes a change in trend from any top occurs before the end of the regular time period, therefore you should begin to watch the 27th, 34th, and 42nd months for a reversal.

8 - Adding 5 years to any top, it will give the next bottom of a 5-year cycle. In order to get top of the next 5-year cycle, add 5 years to any bottom. For example: 1917 was bottom of a big bear campaign; add 5 years give 1922, top of a minor bull campaign. Why do I say, "Top of a minor bull campaign?" Because the major bull campaign was due to end in 1929.

1919 was top; adding 5 years to 1919 gives 1924 as bottom of a 5-year bear cycle. Refer to Rules 1 and 2, which tell you that a bull or bear campaign seldom runs more than 2 to 3 years in the same direction. The bear campaign from 1919 was 2 years down — 1920 and 1921; therefore, we only expect one-year rally in 1922; then 2 years down -- 1923 and 1924, which completes the 5-year bear cycle.

Looking back to 1913 and 1914, you will see that 1923 and 1924 must be bear years to complete the 10-year cycle from the bottoms of 1913-1914. Then, note 1917 bottom of a bear year; adding 7 years gives 1924 also as bottom of a bear cycle. Then, adding 5 years to 1924 gives 1929 top of a cycle.

FORECASTING MONTHLY MOVES

Monthly moves can be determined by the same rules as yearly:

Add 3 months to an important bottom, then add 4, making 7, to get minor bottoms and reaction points.

In big upswings a reaction will often not last over 2 months, the third month being up, the same rule as in yearly cycle -- 2 down and the third up.

In extreme markets, a reaction sometimes only lasts 2 or 3 weeks; then the advance is resumed. In this way a market may continue up for 12 months without breaking a monthly bottom.

In a bull market the minor trend may reverse and run down 3 to 4 months; then turn up and follow the main trend again.

In a bear market, the minor trend may run up to 3 to 4 months, then reverse and follow the main trend, although, as a general rule, stocks never rally more than 2 months in a bear market; then start to break in the 3rd month and follow the main trend down.

NATURAL SEASONAL TIME CHANGES

While we do not use the calendar months for time periods, unless an extreme high or low should occur around January 2 or 3rd, we do use the Seasonal Time Periods which are more important and many of the important highs and lows have occurred around these Seasonal Time Periods. These periods are as follows:

December	21, any year
February	5
May	5
June	21
August	5
September	21
November	8

Then repeat, December 21, etc., for the 2nd and third years.

These Seasonal Time Periods divide the year into 8 equal parts of approximately 45 days each. You can divide these time periods into 2 equal parts which are approximately 22½ days. Example: December 21 to February 5 gives January 13 as the ½ period, and between June 21 to August 5 is July 14.

The variation from these Time Periods is usually 3 to 4 days before or after the actual dates. The most important changes in Grains occur during FEBRUARY, MAY, AUGUST and NOVEMBER, therefore; these dates and months are the most important to watch for major changes in trend, but always keep in mind the dates of the previous highs and lows of past years and watch for the change in trend around these dates.